



**"PEOPLE MAKE
THE DIFFERENCE"**



1956 ANNUAL REPORT

FOOD FAIR STORES, INC.

for the fiscal year ended April 28, 1956



Samuel Friedland *Chairman of the Board*
 George Friedland *Vice Chairman of the Board*
 Louis Stein *President*
 Myer B. Marcus *Executive Vice President*
 Arthur Rosenberg *Vice President*
 Herman R. Silver *Vice President*
 Jack M. Friedland *Vice President*
 David T. Friedland *Vice President*
 Arnold D. Cohen *Vice President*
 Myer M. Gordon *Treasurer*
 B. F. Lieber *Secretary*
 Joseph Rash *Assistant Secretary*
 Samuel Forman *Assistant Secretary*
 Abraham Maloff *Assistant Secretary*

OFFICERS

EXECUTIVE OFFICES

2223 East Allegheny Avenue,
 Philadelphia 34, Pennsylvania

George Friedland Philadelphia, Pa.
 Jack M. Friedland Philadelphia, Pa.
 Samuel Friedland Miami Beach, Fla.
 Myer M. Gordon Philadelphia, Pa.
 Hess Kline Philadelphia, Pa.
 James P. Magill Philadelphia, Pa.
 Myer B. Marcus Philadelphia, Pa.
 Arthur Rosenberg Philadelphia, Pa.
 Harold W. Scott Philadelphia, Pa.
 Herman R. Silver Philadelphia, Pa.
 Louis Stein Deal, N. J.

DIRECTORS

General Counsel
 Stein, Stein & Engel
 26 Journal Square
 Jersey City, N. J.

Transfer Agent
 Registrar & Transfer Company
 50 Church Street, New York, N. Y.
 15 Exchange Place, Jersey City, N. J.

Registrar
 The Chase Manhattan Bank
 11 Broad Street
 New York, N. Y.

Food Fair Stores, Inc., \$4.20 preferred stock and common stock
 are fully listed on the New York Stock Exchange.

TABLE OF CONTENTS

	PAGE
The Year in Brief.....	1
Message from the Chairman and President.....	2
The Year in Review.....	3
The National Economy.....	3
Food Fair Sales and Earnings Reach New Peaks.....	3
Dividend Rate Increased.....	4
Working Capital Increased.....	4
Food Fair's Capital Structure.....	4
The Owners of the Business.....	5
Store Operations in Constant Review.....	6
Research, a Practical Tool.....	7
Real Estate Activities Increase.....	7
Store Planning for Greater Efficiency.....	7
Building for the Future.....	8
Sales Promotion Intensified.....	9
Shopping Center Company Begins Operation.....	10
Annual Meeting.....	10
Certified Financial Statements.....	11
Consolidated Statement of Earnings.....	11
Consolidated Statement of Financial Condition.....	12
Consolidated Statement of Surplus.....	13
Accountants' Certificate.....	14
Notes to Financial Statements.....	14
People Make the Difference.....	15
Climate for Achievement.....	16
Management Training.....	17
Friendly Service as an Asset.....	18
The Foundation Extends Education Aid Program.....	18
Food Fair in Community Activities.....	19
Food Fair Supermarkets.....	20
Officers and Directors.....	inside front cover
Ten-Year Statistical Summary.....	inside back cover

THE YEAR IN BRIEF

	FISCAL (52 Weeks)	
	1956	1955
Sales	\$475,197,534	\$410,053,400
Net Income	\$8,603,034	\$7,373,401
Net Income per dollar of sales	1.81%	1.80%
Net Income per share of common stock based on 3,097,809 shares	\$2.68	\$2.28
Dividends Paid in Cash:		
Preferred Stock	\$294,231	\$299,019
Common Stock	\$3,053,117	\$2,266,440
Earnings retained in the business	\$5,255,686	\$4,807,942
Current assets	\$50,551,974	\$46,675,723
Current liabilities	\$18,181,912	\$16,024,596
Working capital	\$32,370,062	\$30,651,127
Number of supermarkets	238	216



TO FOOD FAIR

SHAREHOLDERS



Operations of Food Fair Stores, Inc., in the fiscal year ended April 28, 1956, continued the pattern of achievement recorded in previous years. Last November, your Company attained, six months ahead of schedule, its goal of an annual sales rate of a half-billion dollars. This accomplishment is the more remarkable when examined in the light of our 1951 sales of \$206 million. In the five years since 1951, Food Fair has made greater sales progress than in its prior 31 years of operation.

Paralleling Food Fair's sales expansion has been a corresponding increase in net income as well as improvement in virtually every other phase of the business. Our rapid growth has stemmed in part from the aggressive expansion program pursued during the past decade, and intensified in recent years. In the fiscal year ended April 28, 1956, we added to our chain 29 new supermarkets, bringing to 238 the total in operation at the year's end. We plan to add approximately fifty more units by the end of the current fiscal year.

In addition, Food Fair Stores, Inc., last year formed a real estate company for the purpose of constructing and operating shopping centers. This organization, Food Fair Properties, Inc., is the first of its kind to be established by a major retail food chain. Food Fair Stores, Inc., together with most of its shareholders, made sizeable investments in the new shopping center organization, which has an active construction program under way.

Food Fair's financial condition remained strong and working capital increased during the past fiscal year, notwithstanding the substantial investment in Food Fair Properties, Inc., as well as large capital expenditures in our continuing expansion program.

We look with confidence to continued progress. As a major objective we have raised our sights to a sales target of \$1 billion annually within the next five years.

Our confidence in the achievement of this goal is strengthened by the continuing increases in national income, in the population growth pattern, and in our standard of living. It is fortified immeasurably by the proven industry, loyalty, and dedicated service of the men and women of the entire Food Fair family. The continuous realization of goals which has brought about the growth of Food Fair Stores, Inc., reflects our recognition that "People Make the Difference" in every phase of our operations. Therefore, we feel it appropriate to include in this Report our salute to the men and women of Food Fair.

Sincerely,

Samuel Friedland

Chairman of the Board

Lev Stein

President

August 1, 1956

THE YEAR IN REVIEW



“People make the Difference”



THE NATIONAL ECONOMY

For the nation in general, calendar 1955 was a year without precedent. Business activity reached new high levels. National income rose correspondingly, as did consumer spending.

Reflecting unparalleled prosperity, the nation's retail food industry once again proved the pacemaker for the entire retail field, according to statistics of the United States Department of Commerce. Retail food stores in 1955 sold a record \$43.6 billion of merchandise, compared with the previous year's high of \$41.5 billion. A population increase of about 2,800,000 helped to push food consumption on a tonnage basis to new record levels. The rise in dollar sales of food products was accomplished despite a drop of about 2% in retail food prices.

FOOD FAIR SALES AND EARNINGS REACH NEW PEAKS

The Company's sales for the fiscal year ended April 28, 1956, reached a new record high of \$475,197,534. This is an increase of 15.9% over the peak sales volume of \$410,053,400 achieved in the preceding fiscal year.

Although intense competition and generally increased expenses limited profit margins throughout the industry, Food Fair last year continued its earnings progress. Net income, after all charges and taxes, amounted to \$8,603,034 which is equal, after preferred dividend requirements, to \$2.68 per share on the 3,097,809 shares of common stock outstanding on April 28, 1956. It is 16.7% in excess of the \$7,373,401 or \$2.28 per share earned on the same common share basis in the fiscal year ended April 30, 1955.

Your Company's earnings per dollar of sales last year once again were among the highest in the retail food industry. This was achieved in the face of further increases in wages, in other operating expenses and in the heavy non-recurring costs arising from the opening of new stores.

DIVIDEND RATE INCREASED

Because its rapid growth creates a continuing need for new capital, Food Fair has consistently followed a conservative policy with regard to dividends, re-investing the bulk of its earnings to help finance expansion. The upward trend of earnings has been such, however, that your Board of Directors on May 24, 1955, voted to increase the annual dividend basis of the common stock to \$1.00 per share compared with 80 cents per share paid previously. In addition to the \$1.00 per share paid in the latest fiscal year, a 3% stock dividend was distributed on August 25, 1955. Regular quarterly dividends of \$1.05 per share were paid during the year on the \$4.20 cumulative preferred stock.

On May 9, 1956, your Board of Directors authorized a 3% stock dividend to be paid on August 24, 1956, to shareholders of record at the close of business July 12th.

Cash dividend payments for the fiscal year just ended totaled \$3,347,348, a record high and 30.5% above the \$2,565,459 disbursed to shareholders the year before. After cash dividend payments, there remained from the year's earnings \$5,255,686, which was retained by the Corporation to help finance further growth.

WORKING CAPITAL INCREASED

The financial condition of Food Fair Stores, Inc., as of April 28, 1956, was improved over that of the previous year. The gain was registered despite large amounts of cash channeled into our expansion program. Current assets amounted to \$50,551,974 at the end of the year compared with \$46,675,723 and current liabilities were \$18,181,912 as against \$16,024,596 the year before. At the year's end, working capital was \$32,370,062 compared with \$30,651,127 on April 30, 1955.

FOOD FAIR'S CAPITAL STRUCTURE

Food Fair had outstanding on April 28, 1956, 3,097,809 shares of common stock and 69,035 shares of \$4.20 cumu-



“People make the Difference”

EARNINGS DISTRIBUTION

lative preferred stock. The number of common shares outstanding was increased by 110,878 as a result of payment of a 3% stock dividend on August 25, 1955, and acquisition of a large supermarket in Miami, Fla., on March 18, 1956. The number of preferred shares was reduced during the year by 1,360 through sinking fund operations.

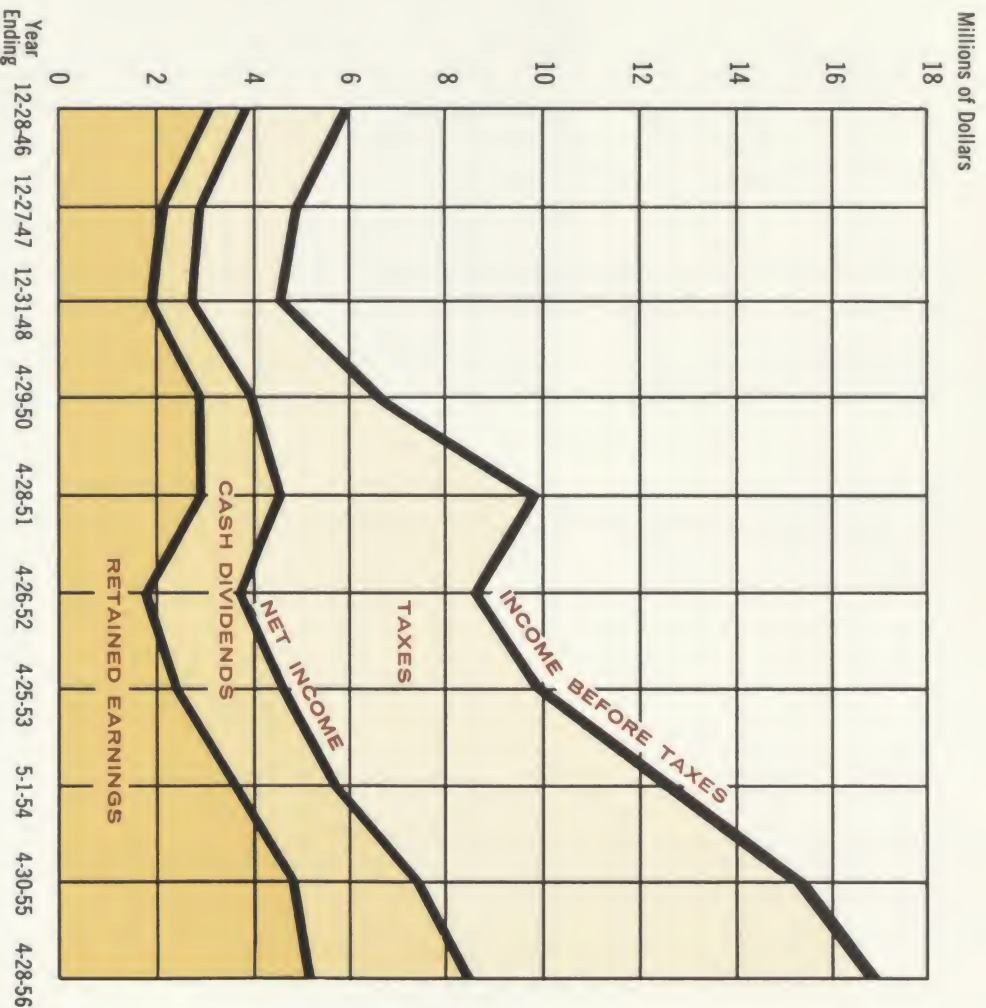
Long-term indebtedness outstanding on April 28, 1956, amounted to \$32,153,085, compared with \$32,553,829 the year before.

At the annual meeting to be held August 28, 1956, shareholders will be asked to approve an increase in authorized indebtedness of the Corporation to \$60 million from the present \$35 million limit. Shareholders will also be asked to increase the authorized common stock to 10,000,000 shares from the 5,000,000 shares currently authorized. These steps will provide greater flexibility to our financial structure, thus placing your Company in a position to pursue its continuing expansion program and to take advantage of acquisitions, mergers or other opportunities requiring corporate financing. Shareholders will also be asked to approve a restricted stock option plan for officers, executives, and supervisory personnel of Food Fair involving the issuance of an aggregate of 200,000 shares of common stock of the Company.

THE OWNERS OF THE BUSINESS

Paralleling the growth of the Company over the years has been a significant increase in the ranks of Food Fair's shareholders. Since the first public offering of Food Fair securities in April, 1937, the Company's shareholder family has grown each year. On March 9, 1956, common and preferred shareholders numbered 8,363, a gain of almost 9% over those owning stock a year earlier.

It is interesting to reflect that the original purchasers of Food Fair common stock have, if they retained their stock, been well rewarded for their faith in the Company. One hundred shares of Food Fair common stock, purchased at the offering in 1937 for \$1,100, have grown through stock dividends and splits to 730 shares worth \$44,803, as of April 27. In addi-



tion, cash dividends amounting to \$4,901 have been paid over the years on this investment.

STORE OPERATIONS IN CONSTANT REVIEW

As Food Fair's growth continues, probably no part of the organization is more directly affected than the Store Operations Department. This department's essential function is to coordinate at the headquarters and field levels the myriad activities involved in the daily operation of the stores which comprise the Food Fair chain. To see that our stores are properly operated requires constant review and scrupulous attention to every phase of service, supply, staffing and every other function which contributes to the final result, a thriving and prosperous unit.

In the year under review, this Department continued to keep the tightest possible rein on operating expenses. Spurred by the necessity for continued improvements in efficiency, innovation and experimentation in all phases of the operation were carried on, with appreciable benefit.

With an eye to the needs of the near future, additional emphasis was placed in the past fiscal year on further decentralization of the operating branches. The Florida division has been operating on this basis for several years, while the North Jersey-New York-Connecticut branch, with headquarters at Linden, New Jersey, was decentralized during the past year. Preparation of other field personnel for similar increased responsibilities continues. The competent assumption by Branch executives of the additional responsibilities entailed in operating on a decentralized basis has made it possible to expand successfully at an increasing rate. Each Branch Manager, for example, with the assistance of staff specialists, is responsible for training and developing the personnel needed to man and supervise the additional units in his area. Secure in the knowledge and experience of past accomplishment, Store Operations is geared to meet the added challenges that lie ahead.



Samuel Friedland
Chairman of the Board



George Friedland
Vice Chairman of the Board

FOOD FAIR'S



Herman R. Silver
Vice President



Jack M. Friedland
Vice President



David T. Friedland
Vice President



Louis Stein
President



Myer B. Marcus
Executive Vice President



Arthur Rosenberg
Vice President

EXECUTIVE OFFICERS

... *Average service: 22 years*



Arnold D. Cohen
Vice President



Myer M. Gordon
Treasurer



B. F. Lieber
Secretary

RESEARCH, A PRACTICAL TOOL

The Store Control and Research Department continued during the past year to provide management with analytical facts and figures as a basis for policy and operating decisions. The department's activities included the preparation and issuance of all store operations statistical reports; analyses of sales, profits, expenses and other operating data; merchandising research, including commodity movement studies; trading area studies, and a considerable variety of analytical and research projects in store operations problems.

Cooperative marketing research with manufacturers and others in such areas as merchandising, packaging and display was stepped up during the year. By helping to improve methods, increase sales, or cut costs, such projects are mutually beneficial. This type of research, in fact, is of industry-wide benefit in that it helps ultimately to lower the cost of food distribution.

The application of formal methods of marketing research and analysis to operating problems, now in its tenth year at Food Fair, continues to be guided by the basic objective of helping to increase sales and profits and to decrease costs. As the business grows increasingly complex, such analyses become even more valuable.

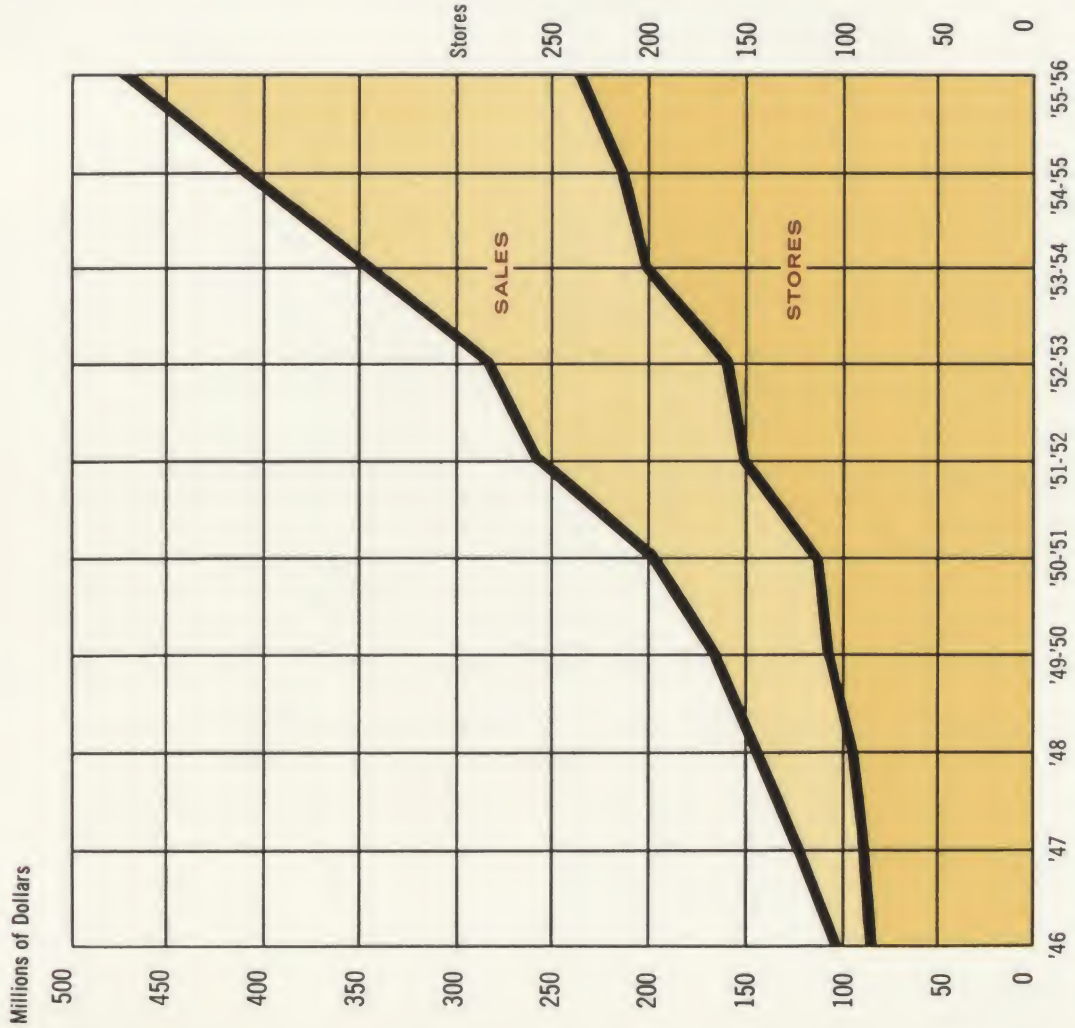
REAL ESTATE ACTIVITIES INCREASE

Greatly increased volume of real estate transactions generated by the Company's expansion program was handled in stride by an expanded Real Estate Department. The past fiscal year was marked by utilization of additional trained specialists in the various phases of real estate activity, from site location to final negotiation, essential to our growth program.

STORE PLANNING FOR GREATER EFFICIENCY

A generation ago, the industry's first supermarkets were converted warehouses or garages which depended for their

SALES AND NUMBERS OF STORES



customer appeal mainly on low prices. In later years, traditionally low prices have been supplemented by increased customer conveniences in attractive, air-conditioned, scientifically lighted and spacious markets. These improvements have helped to transform what was once the weekly shopping chore into a pleasant occasion.

Food Fair's modern, well-designed supermarkets reflect the work of the Company's Store Planning Department. This department is charged with seeing to it that all stores, existing or planned, incorporate the latest customer conveniences and the maximum in operating efficiencies. It initiates and develops new ideas, new techniques, and new methods designed to reduce costs of operating the store and to create a more attractive supermarket. The past year has seen an even greater emphasis on this activity. The work of Food Fair's industrial engineers is reflected in more efficient merchandise handling operations through increased mechanization, and in store equipment redesigned to increase shopping convenience.

BUILDING FOR THE FUTURE

The pattern of rapid expansion which has been synonymous with Food Fair continued in the past year. In the month of November, a milestone was reached when four new supermarkets were opened on a single day. During the year, 28 new stores were opened and seven older supermarkets were closed. In addition, one of the nation's largest supermarkets, Fredrich's in Miami, Florida, was acquired. At the close of the latest fiscal year, your Company operated 238 supermarkets. Six new units have since been opened for business, and another was purchased.

A new distribution center in Miami began operations in September, 1955. This center contains more than 400,000 square feet of space. It is adequate to provide for contemplated expansion in that area.

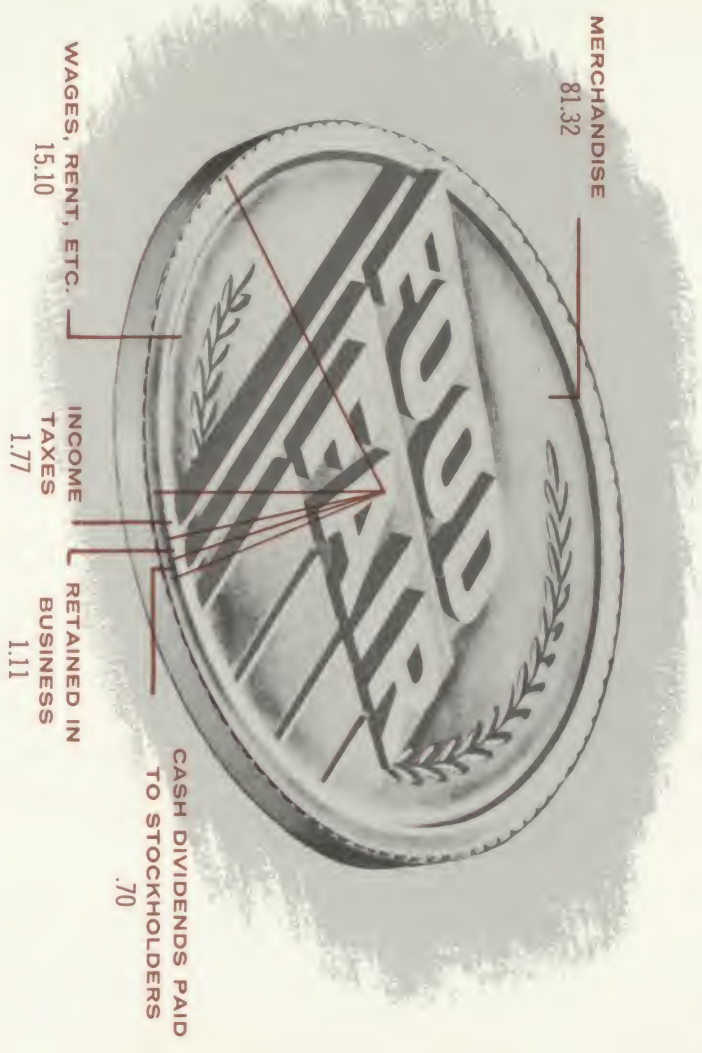
Your management last year reported the launching of a 28-month \$55 million expansion program with the objective of adding about 100 stores by April 30, 1957. This program is



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WHERE THE FOOD FAIR SALES DOLLAR GOES



proceeding satisfactorily. During the coming year, we plan to add approximately 50 units. Although the opening of a substantial number of new stores is important in itself, the average volume generated per store is even more important. Food Fair units average annual sales of approximately \$2 million per store, while our newest stores average annual sales of \$2.5 million, and some register in excess of \$5 million.

In a move to extend operations of our Southern division, our Company on June 14, 1956, acquired a supermarket in Atlanta, Georgia. This brings to eight the number of states in which we operate. The present program also calls for the opening of Food Fair units on the west coast of Florida and in Virginia, further extending our trading area. Entry into Virginia will enlarge our chain to a nine-state operation stretching along the Atlantic seaboard from Connecticut to Florida.

SALES PROMOTION INTENSIFIED

Food Fair's rapid growth has been accompanied by extensive sales promotion and advertising activities. These efforts are the greater because the opening of many new stores initially requires concentrated individual promotion.

In still another area, increased competition in the retail food industry resulted last year in the emergence of trading stamp plans as a promotional device on the part of many retailers. Under such plans, a housewife is given trading stamps on the purchases she makes. These stamps, accumulated in books, are exchanged for non-food merchandise.

Although Food Fair preferred not to use stamp plans, we had made it clear that we would promptly meet such competition as it arose. Trading stamp promotions undertaken by competitors in Baltimore, Philadelphia, and Metropolitan New York-Northern New Jersey, led your Company to adopt such programs in these areas. To control the added cost of stamps, a financial interest has been acquired in two stamp companies servicing our stores.



“People make the Difference”



SHOPPING CENTER COMPANY BEGINS OPERATION

In 1955, Food Fair Stores, Inc., further strengthened its reputation as a pioneer in the retailing field when it established Food Fair Properties, Inc. This real estate company, whose purpose is to organize, develop, and operate shopping centers on its own or in partnership with realtors and builders, began operations on September 15, 1955. This is the first such enterprise founded by a major food retailer.

Food Fair Stores, Inc., and its shareholders are the major stockholders in the new corporation. Food Fair Stores share-

holders were offered rights to purchase units, each unit consisting of a \$50 debenture and 11 shares of common stock. Of the total offering, 98.7% was sold through the exercise of these subscription rights. Your Company purchased 20,000 shares of preferred stock, and 2,222,222 shares of common stock, representing 46.3% of common shares then outstanding, at a cost of \$2,022,222.

Food Fair Stores has transferred to Food Fair Properties 14 tracts of land suitable for shopping center development at current market values, which approximate our Company's costs. These tracts of land are located in suburban Miami, Fla.; Brooklyn, Md.; Hollywood, Fla.; Bridgeport, Conn.; Pearl River, N. Y.; Middletown, N. J.; Dover, Del.; and in Reading, East Norriton, Feasterville, Philadelphia, Allentown, Bethlehem, and Flourtown in Pennsylvania.

Food Fair Properties is well embarked on a program to construct 23 shopping centers at a cost of approximately \$40 million by the end of 1957. Eight centers are now under construction, five of which are expected to be in full or partial operation by late 1956. An additional five should be under construction by the end of the year. Food Fair Stores, Inc., has the first right to lease supermarket units in these and other centers developed by Properties.

ANNUAL MEETING

The annual meeting of shareholders of Food Fair Stores, Inc., will be held at 11 A. M. on August 28, 1956, in the North Garden Room of the Bellevue-Stratford Hotel, Philadelphia, Pennsylvania. Because the annual meeting presents shareholders and management an opportunity to meet personally and to discuss the affairs of the Corporation, it is hoped that as many shareholders as possible will attend in person. Enclosed with this Report are a proxy and a proxy statement. Shareholders who find it impossible to attend the meeting are urged to date, sign, and return the proxy in accordance with instructions appearing on the form so that their shares may be represented.

*Food Fair Stores, Inc.
and Subsidiary Companies*

CONSOLIDATED
STATEMENT OF

EARNINGS



For the Year (52 Weeks) Ended

	<u>April 28, 1956</u>	<u>April 30, 1955</u>
Sales	\$475,197,534	\$410,053,400
Cost of sales	<u>386,444,519</u>	<u>335,066,777</u>
Gross profit from sales	\$ 88,753,015	\$ 74,986,623
Operating expenses	<u>72,424,717</u>	<u>58,620,463</u>
Profit from operations (Note 6)	\$ 16,328,298	\$ 16,366,160
Other income	<u>1,934,921</u>	<u>671,184</u>
Profit before interest expense	\$ 18,263,219	\$ 17,037,344
Interest expense	<u>1,258,667</u>	<u>1,807,745</u>
Net income before Federal and State taxes on income	<u>\$ 17,004,552</u>	<u>\$ 15,229,599</u>
Federal and State taxes on income:		
Federal	\$ 8,077,079	\$ 7,547,121
State	324,439	309,077
Total Federal and State taxes on income	<u>\$ 8,401,518</u>	<u>\$ 7,856,198</u>
Net income	<u><u>\$ 8,603,034</u></u>	<u><u>\$ 7,373,401</u></u>

CONSOLIDATED
STATEMENT OF

*Food Fair Stores, Inc.
and Subsidiary Companies*

**FINANCIAL
CONDITION**

	April 28, 1956	April 30, 1955
CURRENT ASSETS		
Cash	\$21,567,177	\$21,548,871
Accounts receivable	2,011,690	2,649,165
Inventories of merchandise and supplies, at lower of cost or market	26,189,013	21,843,781
Prepaid insurance, rent and taxes	784,094	633,906
	<u>\$50,551,974</u>	<u>\$46,675,723</u>
Accounts payable	\$ 8,036,787	\$ 6,713,120
Accrued salaries and expenses	5,234,223	4,356,376
Debiture sinking fund installment payable	—	78,000
Federal and State income taxes payable, less United States Treasury Bills, 1956, \$2,979,957; 1955, \$2,832,528	4,910,902	4,877,100
	<u>\$18,181,912</u>	<u>\$16,024,596</u>
Investments, at cost	\$32,370,062	\$30,651,127
Land, at cost	3,176,141	1,337,432
Buildings and improvements, at cost, less allowance for depreciation — 1956, \$6,303,355; 1955, \$5,123,512	6,558,130	6,840,820
Fixtures and equipment, at cost, less allowance for depreciation — 1956, \$10,040,970; 1955, \$7,786,126	18,046,619	17,578,122
Miscellaneous other assets	16,464,322	14,141,143
	<u>1,553,238</u>	<u>1,570,302</u>
	<u>\$78,168,512</u>	<u>\$72,118,946</u>
Mortgages payable, due after one year	\$ 5,641,085	\$ 5,603,829
Fifteen year sinking fund debentures, 3% — due January 1, 1965 (Note 1)	6,512,000	6,950,000
Twenty year sinking fund debentures, 3% — due September 1, 1974 (Note 2)	20,000,000	20,000,000
Amounts received on subscriptions to shares of common stock pursuant to Employees' Stock Purchase Plan — 1956, 76,314 shares; 1955, 80,199 shares	641,016	460,472
	<u>\$32,794,101</u>	<u>\$33,014,301</u>
	<u>\$45,374,411</u>	<u>\$39,104,645</u>
NET ASSETS		
Capital stock:		
Preferred (Note 4)	\$ 6,903,500	\$ 7,039,500
Common (Note 5)	3,097,809	2,986,931
Surplus:		
Capital	18,206,161	12,240,014
Earned (Note 3)	17,166,941	16,838,200
	<u>\$45,374,411</u>	<u>\$39,104,645</u>
DERIVED FROM		

*Food Fair Stores, Inc.
and Subsidiary Companies*

CONSOLIDATED
STATEMENT OF
SURPLUS



CAPITAL SURPLUS

CAPITAL SURPLUS – APRIL 30, 1955	\$12,240,014
Excess of value of property acquired over par value from issuance of 21,297 shares of common stock	\$ 1,128,741
Excess over par value of 89,580 82/100 shares of common stock issued as a stock dividend	<u>4,837,406</u>
CAPITAL SURPLUS APRIL 28, 1956	<u>\$18,206,161</u>

EARNED SURPLUS

EARNED SURPLUS – APRIL 30, 1955	\$16,838,200
Net income for the year (52 weeks) ended April 28, 1956	8,603,034
Total	<u>\$25,441,234</u>
Dividends paid:	
In stock:	
89,580 82/100 shares of common stock	\$ 4,926,945
In cash:	
Preferred stock, \$4.20 per share	294,231
Common stock, \$1 per share	<u>3,053,117</u>
.....	<u>3,347,348</u>
EARNED SURPLUS APRIL 28, 1956	<u>8,274,293</u>
	<u>\$17,166,941</u>

NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the Financial Statements as at April 28, 1956. Reference is made to previously issued report for the notes applicable to the statements as at April 30, 1955.

NOTE 1 — These debentures are subject to repayment through sinking fund operations on each interest payment date in the following principal amounts: to and including July 1, 1956, \$150,000; thereafter, to and including July 1, 1960, \$225,000; thereafter, to and including July 1, 1964, \$300,000.

NOTE 2 — These debentures are subject to repayment through sinking fund operations beginning September 1, 1958, and on each interest payment date thereafter in the following principal amounts: to and including March 1, 1963, \$300,000; thereafter, to and including March 1, 1969, \$400,000; thereafter, to and including March 1, 1974, \$500,000.

NOTE 3 — The indentures covering the issuance of the debentures described in Notes 1 and 2 above, contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the Corporation. The maximum amount of earned surplus so restricted at April 28, 1956, was \$8,911,693.

NOTE 4 — Preferred Stock is \$4.20 cumulative, \$15 par value; 142,615 shares are authorized, of which 77,615 shares were issued and 69,035 are outstanding. The Corporation is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at \$100 per share, plus accrued dividends. In addition, the Corporation may, at its option, call for redemption all or any part of the preferred stock at a maximum price of \$102 per share, plus accrued dividends. Holders of this stock are entitled to preference of \$100 per share in involuntary liquidation.

NOTE 5 — Common stock is \$1 par value; 5,000,000 shares are authorized, of which 3,097,809 31/100 shares (including scrip certificates) are issued and outstanding.

At April 28, 1956, 76,314 shares of common stock were reserved for issuance pursuant to Employees' Stock Purchase Plan.

On May 9, 1956, the Board of Directors declared a common stock dividend of 3%, payable in common stock on August 24, 1956, to stockholders of record on July 12, 1956. Pursuant thereto, there have been reserved for issuance 92,934 27/100 shares (including scrip certificates) of common stock. For each share so issued, earned surplus will be charged at the market price on the ex-dividend date, but not in excess of \$56 per share. Of the amount so charged, \$1 per share will be credited to capital stock common, and the balance to capital surplus.

NOTE 6 — Costs and expenses include depreciation and amortization of \$4,024,456 and \$3,348,011 for the years ended in 1956 and 1955, respectively.

LAVENTHOL, KREKSTEIN & Co.
Certified Public Accountants

NEW YORK
PHILADELPHIA
HARRISBURG
WILKES-BARRE
LEWISTOWN

1828 WALNUT STREET
PHILADELPHIA 2, PA.

Officers and Directors
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and its wholly-owned subsidiary companies at April 28, 1956, and the consolidated statements of earnings and surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition, and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 28, 1956, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Laurel K. Krekstein
LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
June 27, 1956

“PEOPLE MAKE THE DIFFERENCE”



Underlying the spectacular growth of Food Fair Stores, Inc. are the efforts of its dedicated men and women. Guiding them in their daily operations is a basic business philosophy of many years standing. This philosophy recognizes Food Fair's responsibilities to consumers served, to the communities in which the Company operates, to employees, to suppliers, and to shareholders. In the following pages are highlighted some of the activities pursued in our adherence to this philosophy.

*Management
Clinic:
a free exchange
of experience,
ideas and
know-how.*



One of the most important elements in Food Fair's success has been the dedicated efforts of the 16,000 men and women who make up the organization. Food Fair is justly proud of its employe family. In welding together this outstanding team, the practice of good human relations has assumed considerable importance. Effective human relations has been a recurring theme at Company meetings and conferences, and a frequent subject of employe messages. On the broadest scale, such efforts are directed toward maintaining the best possible customer relations. In an intra-Company sense, they are basic elements in the development of a close-knit, loyal, cooperative, and determined team. It is upon this team that the Food Fair management depends for the fulfillment of the Company's goals.

CLIMATE FOR ACHIEVEMENT

The practice of good human relations at Food Fair is a prerequisite for the creation of a climate in which achievement

can flourish. In an atmosphere in which the dignity of an individual is respected and his ambitions and abilities given recognition, challenges and opportunities are more readily accepted. Recently, in an accelerated campaign to increase sales and further improve efficiency, a challenge to more creative thinking was presented to the Food Fair family, supplemented by the advice that no traditional method can be regarded as sacred or inviolable, but each must be re-examined to determine how it might be done better.

Many of the men and women who play so important a role in the growth of our Company are being helped to prepare themselves, both on the job and in formal classes, for advancement. To meet the two-fold purpose of filling new posts and helping its men and women to move forward, Food Fair has expanded employe training at the departmental and store managerial level. In Linden, N. J., last year, training facilities were moved to larger quarters. New training schools were established in Philadelphia and in Florida. Plans are underway to expand training facilities in Baltimore.



"PEOPLE MAKE THE DIFFERENCE"

In another area, a self-improvement program sponsored by Food Fair, for its employes, is well-established. Under this program, employes are encouraged to enroll for academic courses which benefit their careers. Students are reimbursed for tuition costs.

The combination of a self-improvement program, on-the-job training and the formal instruction provided in training schools has successfully developed inherent capabilities and new skills in many key personnel.

The Company is continuing its store manager training program for college graduates. Candidates undergo an intensive 18 months program after which they become eligible to manage a Food Fair supermarket. Very satisfactory results have been achieved through this program, which supplements the basic promotion-from-within store manager training.

MANAGEMENT TRAINING

To provide all members of the management team with first

hand knowledge of the past year's performance record and of the Company's immediate and future objectives, this year's annual Review and Preview Conference was held in Philadelphia in April. This meeting was attended by almost 600 key personnel, from store manager level up, who heard a series of talks by Company officials and participated in wide-open discussions on plans, prospects and problems.

As a direct result of these annual conferences, there was established during the past fiscal year a series of departmental management clinics. In all-day sessions, conducted four times a year for each group, members of operating departments from Connecticut to Florida meet to exchange experience, ideas and know-how. At these sessions, relevant Company policies are reviewed and clarified. Specifically, the various groups discuss such subjects as practical operating problems, increased mechanization of merchandise handling, store planning, principles of administration, and human relations. All clinics stress the importance of creating the right climate for development of promising subordinates and their acceptance of greater responsibility.

FRIENDLY SERVICE AS AN ASSET

Of the many factors which determine whether a shopper will patronize one supermarket in preference to another, one of the most influential is courteous service. To augment Food Fair's established courtesy programs, last year there was introduced an extensive "Friendly Service" campaign.

The new program is designed to stimulate employe awareness of the factors which create customer loyalty and added sales. At formal store meetings held regularly, new aspects of the program are introduced. A variety of techniques are utilized to maintain interest and attention.

News and information about such programs and of the affairs of the Company are also disseminated through *The Food Fair Reporter*, a monthly employe newspaper, together with *The Star*, chain-wide magazine distributed quarterly. *The Reporter* fills the need for news of a local nature and is prepared in several territorial editions. These publications provide an excellent medium of communications between management and the men and women of the organization. *The Reporter* was recently awarded first place certificate of excellence "for outstanding performance in the field of Industrial Editing" by the Delaware Valley Industrial Editors Association.

THE FOUNDATION EXTENDS EDUCATION AID PROGRAM

The responsibility of any business organization to the nation in which it prospers and the communities which it serves is firmly recognized by your management. To fulfill this responsibility in a tangible way, Food Fair Stores, Inc., in 1952, established the Food Fair Stores Foundation with a three-fold purpose of providing support in the fields of philanthropy, research, and education.

Notable in the work of the Foundation has been its program to support higher education and to provide educational opportunities for promising students. The program established for this purpose makes college and university scholarships available to deserving high school graduates in the communities

*Toward the Support of Higher Education:
a program to provide college and university
scholarships for deserving youths is administered
by the Food Fair Stores Foundation.*



served by Food Fair stores as well as to the Company's employees and their sons and daughters. Scholarships are awarded on the basis of civic interest, leadership, scholastic achievements, and financial need.

Since its establishment, the Foundation each year has increased the number of its grants. Today these total 139 scholarships at 23 institutions of higher learning in eight states.

The Foundation also maintains a Professorship of Marketing at the University of Pennsylvania's Wharton School of Finance and Commerce. The new chair has enabled the Wharton School to broaden its marketing research and educational services to industry generally.

The Foundation program has earned your Company a citation by the publication "Who's Who In America" in recognition of "its substantial contribution to higher education in America." Food Fair is the first retail food chain to receive one of these citations.

FOOD FAIR IN COMMUNITY ACTIVITIES

In keeping with Food Fair's policy of carrying its full share of civic responsibilities in the communities it serves, employees are encouraged to participate in activities of general welfare to their local communities. Employee response is reflected in the selection, in the past two years, of 59 Food Fair store managers as "Good Citizens" in an annual nation-wide Citizenship Award Program sponsored by the National Association of Food Chains. From several thousand regional winners in 1955, a Food Fair manager was selected as a national award winner.

Among other community activities, Food Fair last year sponsored 29 Little League baseball teams, enabling approximately 550 youngsters to play in organized leagues, and also sponsored a group working within the National Junior Achievement program.



"People make the Difference"



Community-wide programs to introduce a Food Fair store, especially when it makes its entry into a new area, are planned by the Company's Public Relations Department. Appropriate ceremonies involving the participation of civic, educational, business, and women's groups mark the opening of each store.

In these and other ways, good community relations, vital to the growth and welfare of the stores, are fostered by Food Fair.

FOOD FAIR SUPERMARKETS

238

as of April 28, 1956



PENNSYLVANIA (87)

ALLENTOWN (4)
BETHLEHEM (2)
BRISTOL
BROOKHAVEN
BRYN MAWR
CAMP HILL
CARLISLE
CHESTER (3)
COATESVILLE
COLUMBIA
DOWNINGTOWN
DREXEL HILL
EASTON
EAST YORK
ELKINS PARK
GLENSIDE
HARRISBURG (4)
JENKINTOWN
LANCASTER (3)
LEBANON (2)
LEMOYNE
LEVITTOWN
NORRISTOWN
PHILADELPHIA (19)
POTTSTOWN
QUAKERTOWN
READING (3)
SHARON HILL
SHILLINGTON
SPRINGFIELD TOWNSHIP
WEST CHESTER
WEST READING
YORK (3)

NEW YORK (25)

ASTORIA
BAYSIDE
BETHPAGE
EAST MEADOW
FAR ROCKAWAY
FLUSHING
FOREST HILLS
FRANKLIN SQUARE
FREEPORT
FRESH MEADOWS (2)
GREAT NECK
JACKSON HEIGHTS
LEVITTOWN (2)
MANHASSET
NEW HYDE PARK
NEW YORK (3)
PLAINVIEW
OCEANSIDE
QUEENS VILLAGE
STATEN ISLAND
WHITESTONE

NEW JERSEY (57)

ATLANTIC CITY (2)
BELLEVILLE
BRIDGETON
CAMDEN
CLIFTON (2)
COLLINGSWOOD
EAST ORANGE
ELIZABETH (4)
ENGLEWOOD
EWING TOWNSHIP
FAIRFIELD TOWNSHIP
FAIR LAWN
FORK LEE
HACKENSACK
HADDON TOWNSHIP
HAMILTON TOWNSHIP
HIGHLAND PARK
IRVINGTON (2)
JERSEY CITY (3)
LODI
MONTCLAIR
MORRISTOWN
NEPTUNE CITY
NEW MILFORD
NEW YORK (4)
NEW BRUNSWICK
NORTH BERGEN
NORTH HUTTLE
PACKANACK LAKE
PASSAIC
PATERSON (2)
PERTH AMBOY
PHILLIPSBURG
PLAINFIELD
POINT PLEASANT
RIDGEWOOD
ROSELLE
TEANECK
TOMS RIVER
TRENTON (3)
UNION
VINELAND
WEST NEW YORK

MARYLAND (20)

BALTIMORE (15)
BALTIMORE COUNTY (2)
BROOKLYN
CATONSVILLE
COLLEGE PARK
DUNDALK
ESSEX
GLEN BURNIE
PIKESVILLE
TOWSON
WHEATON

DELAWARE (6)

CLAYMONT
RICHARDSON PARK
NEW CASTLE
WILMINGTON (2)
WILMINGTON MANOR

FLORIDA (53)

CORAL GABLES (4)
DANIA
FORT AUDERDALE (5)
FORT PIERCE
HIALEAH (4)
HOLLYWOOD (3)
HOMESTEAD
LAKE WORTH
MIAMI (23)
MIAMI BEACH (3)
POMPANO BEACH
RIVIERA BEACH
SURFSIDE
WEST PALM BEACH
WILTON MANORS

CONNECTICUT (4)

NORWALK
STAMFORD (2)
WESTPORT





FOOD FAIR STORES, INC.



*Food Fair Stores, Inc.
and Subsidiary Companies*

T E N - Y E A R S T A T I S T I C S

YEAR ENDED	NUMBER OF STORES AT END OF YEAR	SALES (000 OMITTED)	NET INCOME BEFORE TAXES ON INCOME	FEDERAL AND STATE INCOME TAXES	NET INCOME
APRIL 28, 1956	238	\$475,198	\$17,004,552	\$8,401,518	\$8,603,034
APRIL 30, 1955	216	410,053	15,229,599	7,856,198	7,373,401
★MAY 1, 1954	196	348,215	12,751,907	6,950,801	5,801,106
APRIL 25, 1953	162	292,660	10,044,840	5,508,922	4,535,918
APRIL 26, 1952	151	259,591	8,688,705	4,803,425	3,885,280
APRIL 28, 1951	123	205,643	9,817,112	5,107,223	4,709,889
APRIL 29, 1950	113	164,626	6,552,021	2,529,243	4,022,778
★DECEMBER 31, 1948	105	142,036	4,459,220	1,673,927	2,785,293
DECEMBER 27, 1947	95	121,765	4,719,905	1,832,848	2,887,057
DECEMBER 28, 1946	89	101,198	6,054,653	2,239,503	3,815,150

★ 53 WEEKS

NOTE: The 17-week period from January 1, 1949 to April 30, 1949 is not included in the above table. Net income for this period amounted to \$1,038,153.

TO REMOVE-CUT ALONG DOTTED LINE

CAL SUMMARY



CASH DIVIDENDS	EARNINGS RETAINED	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	TOTAL ASSETS	NET WORTH
\$3,347,348	\$5,255,686	\$50,551,974	\$18,181,912	\$32,370,062	\$96,350,424	\$45,374,411
2,565,459	4,807,942	46,675,723	16,024,596	30,651,127	88,143,542	39,104,645
2,183,051	3,618,055	39,651,946	14,438,039	25,213,907	78,726,247	33,853,502
2,117,781	2,418,137	37,518,200	12,226,354	25,291,846	67,993,826	30,612,678
2,076,823	1,808,457	27,002,320	12,725,919	14,276,401	53,376,631	28,408,965
1,779,490	2,930,399	24,560,940	7,350,676	17,210,264	43,889,595	26,701,983
1,214,214	2,808,564	19,376,166	4,310,351	15,065,815	31,394,570	17,756,622
807,233	1,978,060	15,588,968	5,017,396	10,571,572	24,240,303	13,879,221
770,181	2,116,876	16,714,955	4,143,192	12,571,763	24,552,310	11,972,228
666,309	3,148,841	13,372,303	5,281,634	8,090,669	18,563,068	10,106,847

Food Fair Stores, Inc. Fiscal Year Ended April 28, 1956



**TEN-YEAR
STATISTICAL
SUMMARY**